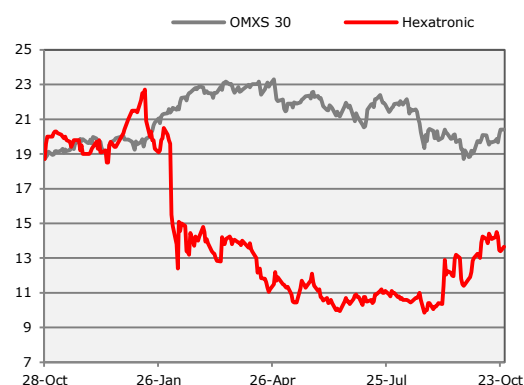


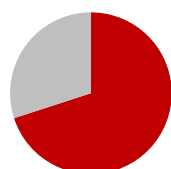
**Summary**
**Hexatronic (HTRO.ST)**
**Organic growth up ahead**

- The Q4 report offered few surprises. Hexatronic reported net sales of 169 MSEK and EBITDA of 18 MSEK. Adjusted for the non-recurring/operative effects the EBITDA-margin came in at 9%, same as our estimate. We expect to see organic growth in the next quarter as the market investments starts to pay off.
- The large investments by the Swedish telecom operators continue and we see no signs of a market slowdown; on the contrary, we regard the long-term prospects for the fiber optical equipment industry as highly attractive with many years of structurally driven growth to come.
- We reiterate our fair value estimate of 18 SEK per share in our Base-case scenario. We still find the share attractively priced, especially compared to international peers who trade at more than the double valuation multiples that Hexatronic does.

List: 436 MSEK  
 Market Cap: 436 MSEK  
 Industry: Telecommunication Equipment  
 CEO: Henrik Larsson-Lyon  
 Chairman: Göran Nordlund

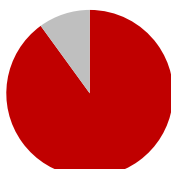

**Redeye Rating (0 – 10 points)**

Management



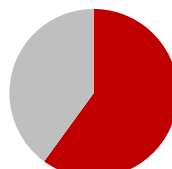
7.0 points

Ownership



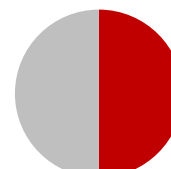
9.0 points

Profit outlook



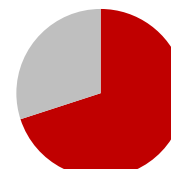
6.0 points

Profitability



5.0 points

Financial strength



7.0 points

**Key Financials**

	13/14	14/15	15/16E	16/17E	17/18E
Revenue, MSEK	497	630	745	835	935
Growth	601%	27%	18%	12%	12%
EBITDA	60	64	71	83	94
EBITDA margin	12%	10%	10%	10%	10%
EBIT	55	50	57	69	80
EBIT margin	11%	8%	8%	8%	9%
Pre-tax earnings	54	49	53	66	80
Net earnings	41	37	41	51	62
Net margin	8%	6%	6%	6%	7%

**Share information**

Share price (SEK)	13.4
Number of shares (m)	32.7
Market Cap (MSEK)	436
Net debt (MSEK)	-19
Free float (%)	30 %
Daily turnover ('000)	30

**Analysts:**

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 kristoffer.lindstrom@redeye.se

Henrik Alveskog  
 henrik.alveskog@redeye.se

Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	1.70	1.08	1.16	1.45	1.76
P/E adj.	11.2	10.1	11.5	9.2	7.6
EV/S	0.9	0.5	0.6	0.5	0.4
EV/EBITDA	7.2	5.3	5.9	4.7	3.8

st can be found at the end of the report.

## Redeye Rating: Background and definitions

The aim of a Redeye Rating is to help investors identify high-quality companies with attractive valuation.

### Company Qualities

The aim of Company Qualities is to provide a well-structured and clear profile of a company's qualities (or operating risk) – its chances of surviving and its potential for achieving long-term stable profit growth.

We categorize a company's qualities on a ten-point scale based on five valuation keys; 1 – Management, 2 – Ownership, 3 – Profit Outlook, 4 – Profitability and 5 – Financial Strength.

Each valuation key is assessed based a number of quantitative and qualitative key factors that are weighted differently according to how important they are deemed to be. Each key factor is allocated a number of points based on its rating. The assessment of each valuation key is based on the total number of points for these individual factors. The rating scale ranges from 0 to +10 points.

The overall rating for each valuation key is indicated by the size of the bar shown in the chart. The relative size of the bars therefore reflects the rating distribution between the different valuation keys.

### Management

Our Management rating represents an assessment of the ability of the board of directors and management to manage the company in the best interests of the shareholders. A good board and management can make a mediocre business concept profitable, while a poor board and management can even lead a strong company into crisis. The factors used to assess a company's management are: 1 – Execution, 2 – Capital allocation, 3 – Communication, 4 – Experience, 5 – Leadership and 6 – Integrity.

### Ownership

Our Ownership rating represents an assessment of the ownership exercised for longer-term value creation. Owner commitment and expertise are key to a company's stability and the board's ability to take action. Companies with a dispersed ownership structure without a clear controlling shareholder have historically performed worse than the market index over time. The factors used to assess Ownership are: 1 – Ownership structure, 2 – Owner commitment, 3 – Institutional ownership, 4 – Abuse of power, 5 – Reputation, and 6 – Financial sustainability.

### Profit Outlook

Our Profit Outlook rating represents an assessment of a company's potential to achieve long-term stable profit growth. Over the long-term, the share price roughly mirrors the company's earnings trend. A company that does not grow may be a good short-term investment, but is usually unwise in the long term. The factors used to assess Profit Outlook are: 1 – Business model, 2 – Sale potential, 3 – Market growth, 4 – Market position, and 5 – Competitiveness.

### Profitability

Our Profitability rating represents an assessment of how effective a company has historically utilised its capital to generate profit. Companies cannot survive if they are not profitable. The assessment of how profitable a company has been is based on a number of key ratios and criteria over a period of up to the past five years: 1 – Return on total assets (ROA), 2 – Return on equity (ROE), 3 – Net profit margin, 4 – Free cash flow, and 5 – Operating profit margin or EBIT.

### Financial Strength

Our Financial Strength rating represents an assessment of a company's ability to pay in the short and long term. The core of a company's financial strength is its balance sheet and cash flow. Even the greatest potential is of no benefit unless the balance sheet can cope with funding growth. The assessment of a company's financial strength is based on a number of key ratios and criteria: 1 – Times-interest-coverage ratio, 2 – Debt-to-equity ratio, 3 – Quick ratio, 4 – Current ratio, 5 – Sales turnover, 6 – Capital needs, 7 – Cyclicity, and 8 – Forthcoming binary events.

## As expected, case intact

Hexatronic's report for the fourth quarter for the split financial year 2014/15 offered few surprises. Our long-term view of the case is still intact, and we make only some adjustments to our growth estimates after a deeper analysis of the past organic growth. We reiterate our fair value estimate of 18 SEK per share and still find the company attractively valued despite the strong share price performance the last few months.

### Q4 – in line with estimates

The group reported net sales of 169 MSEK and EBITDA of 18 MSEK, which corresponds to a net sales growth of 21% and an EBITDA-margin of 10.5%. Net sales was in line with our estimate. The high growth was driven by the acquisitions of Proximion and TD Fiberoptik (compared to the same period last year). Net sales (adjusted for the acquisitions) came in at about 128 MSEK, which corresponds to an organic sales decline of -9% (on a reported basis). We will go into more detail with a discussion about the organic sales development further down the analysis (next page).

*Adjusted numbers in line with our estimates*

Estimate vs. Outcome				
MSEK	13/14 Q4	14/15 Q4E	14/15 Q4A	Diff
Net sale	140	166	169	2%
Net sale exkl acq.			128	
EBITDA	16	15	18	19%
adj. EBITDA			15	2%
EBIT	15	11	13	24%
Net profit	11	8	9	18%
Net sale growth		18%	21%	
est. Organic net sale growth			-9%	
EBITDA margin	11,4%	9,0%	10,5%	
adj. EBITDA margin			9,0%	
EBIT margin	11,0%	6,6%	8,0%	

Source: Redeye Research

Deviations to our estimate were primarily on the margin levels. However the inventory discount had a positive effect on the result with approximately 1.2 MSEK, and during the quarter Hexatronic also reported about 1.3 MSEK in none-operating income. Adjusted for these none operative/recurring effects the adjusted EBITDA was about 15 MSEK, which corresponds to an EBITDA-margin of about 9%, spot on with our estimates.

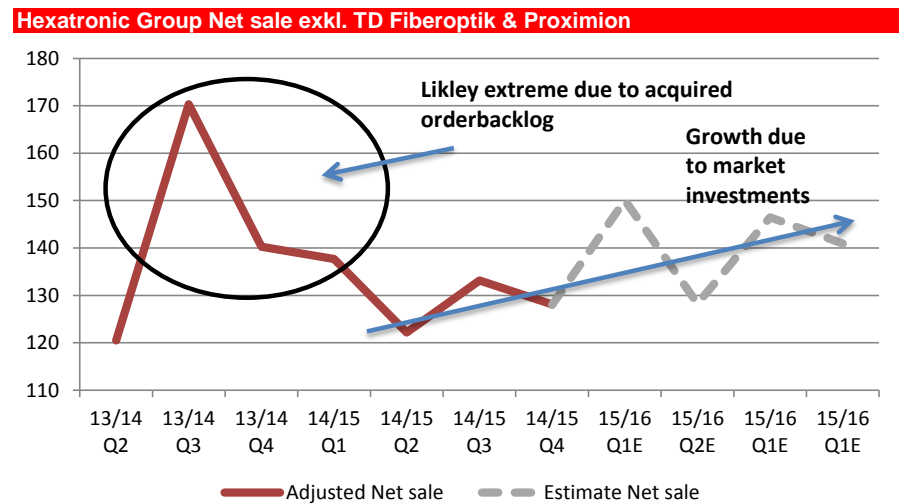
### Organic or not organic

Hexatronic has a financial goal of 20% annual growth; this growth will originate from a combination of organic and acquisitions. During 2014/15 the group reported net sales of 627 MSEK, up from 497 MSEK the year before. The three primary factors behind the high growth of 26% during the year was that HC&I was consolidated during four quarters and not three (as in 13/14) and the acquisitions of Proximion and TD Fiberoptik increased sales levels. When excluding these acquired companies, we see an organic decline in the region of -8 to -15% during the year (this is our best estimate).

*We still see a reported organic decline but....*

In the graph below we have calculated the adjusted net sales level of HC&I, The Blueshift, Memoteknik and HE&D, with other words, we are excluding the contribution of Proximion and TD Fiberoptik to the group.

*... a likely growth in customers*



Source: Redeye Research

Sales levels have dropped since the peak in Q3 2013/14. We believe that the received order backlog from the acquisition highly inflated these levels. When Hexatronic acquired the Hudiksvall factory (now Hexatronic Cables & Interconnect) from Ericsson, they also acquired an existing backlog of orders.

Seven months before the acquisition of the factory Ericsson had announced that they would close it, naturally during this period most customers searched for alternative suppliers of fiber optic communication equipment. As a result, Hexatronic had to reclaim a lot of these clients, and the reported sales levels were “larger than normal” (because of the acquired backlog of orders, as illustrated in the graph above). The organic decline that we have seen is due to tough comparative figures on a year over year basis, but we do estimate that Hexatronic is growing in reclaimed/new customers. Net sales levels have grown steadily from Q2 14/15. As such we expect to see organic growth from Q1 2015/16 (in reported numbers) Q1 and onwards.

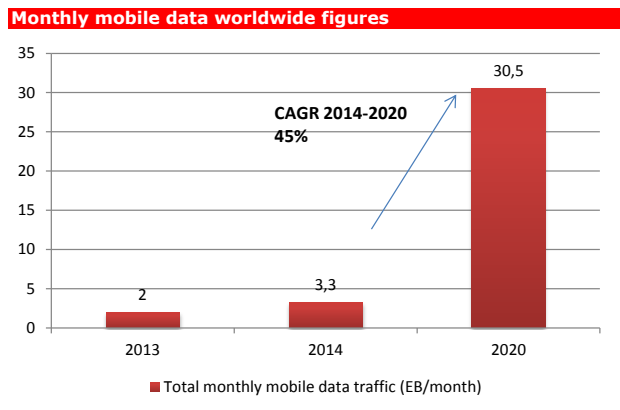
We find it likely that the investments that Hexatronic has implemented during the year combined with that the quarters meet lower comparable year over year sales figures will lead to a strong organic performance, and this might generate a higher growth premium to the valuation of the company.

**The market is still strong and will continue to be**

When a company is experiencing an organic decline (acquisition specific factors in Hexatronic’s case), we regard it wise to analyze the industry environment further to determine if the industry is deteriorating or not. We regard the market where Hexatronic operates (fiber optical communication equipment) as strong, and the demand is still very high.

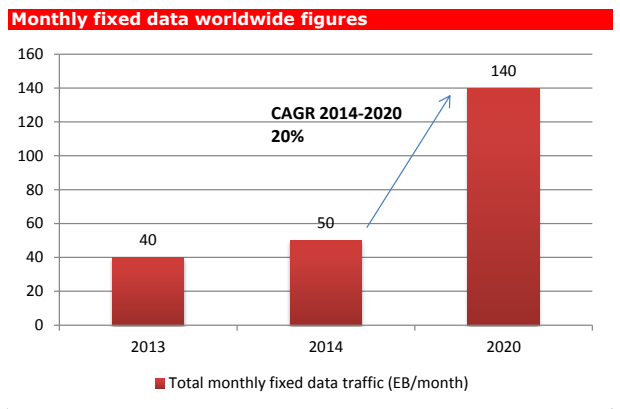
The growth in the industry is affected by the fact that we today consume more and more data due to the usage of smartphones, streaming services like Netflix, IP-TV and clouding software/solutions. The increased data usage directly affects the need for investment in the fiber optical infrastructure in almost all the regions in the world. Ericsson, in their mobility report from 2015, estimates that the mobile data traffic will grow from the current level of 3.3 EB/month to about 30.5 EB/month, this corresponds to an annual CAGR of 45%.

*High growth in used data capacity is expected*



Source: Ericsson mobility report 2015

Data usage of fixed data is also expected to grow substantially over the next five year to a total of 140 EB/month from the current level of 50 EB/month.



Source: Ericsson mobility report 2015

### Fiber household penetration

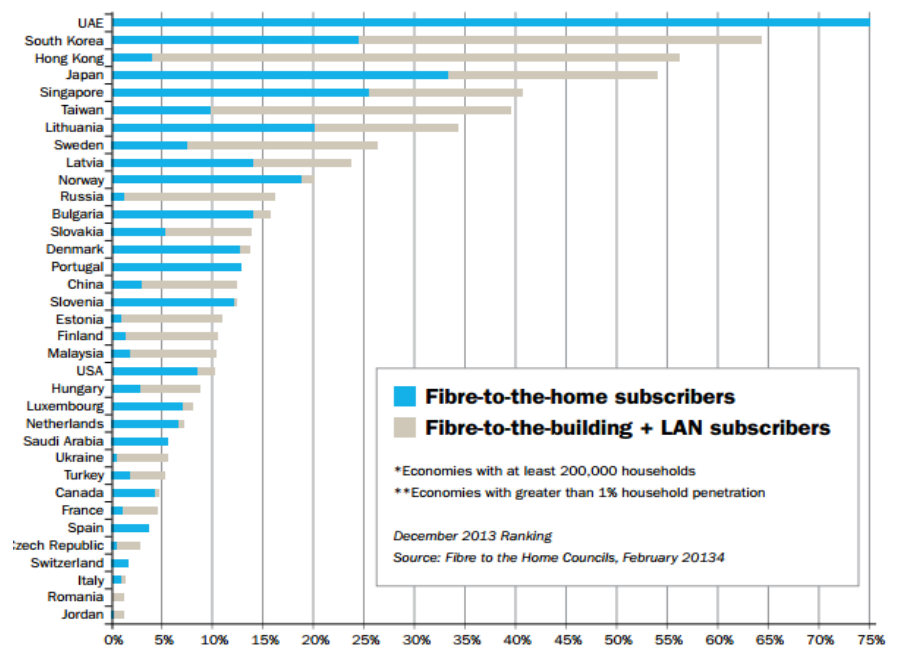
As the expected demand for data capacity will increase at a very high rate so will also the need for investment in the fiber optical infrastructure on a worldwide basis.

Today Hexatronic is mostly focused on the Scandinavian region where the market is expected to grow between 10-12 percent on an annual basis during the next 5-8 years. The large announced investments by the Swedish telecom operators confirm the positive market outlook. TeliaSonera has stated they will invest 9 billion SEK between 2015 and 2018 in fiber infrastructure. IP-Only, who is a competitor to Telia, have announced that they will spend about 20 billion SEK until 2020 in fiber infrastructure investments to meet coming data capacity demands. Despite the large investments in the Swedish fiber infrastructure, the Scandinavian countries have amongst the most developed infrastructures in the world.

*Huge upcoming investments in fiber infrastructure*

The overall household penetration in large economies such as USA, France, Spain, UK and Canada is still very low. Here lies the long-term market opportunity for a player such as Hexatronic. The company is already expanding its geographical presence by supplying specific Ericsson projects around the world, but significant opportunity exists with other partners as well. For example, Hexatronic recently announced a distribution agreement with Amherst Photonics, who will be Hexatronic's preferred sales partner for the US territory.

#### Household FFTH/B + LAN penetration, Global economies



Source: FTTH Council

## Next quarter estimates

As the report was more or less as we had expected, on an adjusted basis, we only make minor changes to our estimates of the margin levels. For the next quarter we expect that the investments by Hexatronic (during 2014/15) in their sales organisation will start to pay off. The revenue growth for the next quarter will be about 28%, where about 8% will be organic and 20% driven by the acquisition of TD Fiberoptik. We expect revenues in the region of 187 MSEK. On a seasonality basis, we expect a relatively strong quarter for Hexatronic.

*Positive effects from TD  
Fiberoptik*

*176 MSEK in revenue  
expected for the next  
quarter*

Next quarter estimates		
MSEK	14/15 Q1	15/16 Q1E
<b>Revenues</b>	<b>146</b>	<b>187</b>
<b>EBITDA</b>	<b>15</b>	<b>18</b>
<b>EBIT</b>	<b>12</b>	<b>14</b>
<b>Net profit</b>	<b>9</b>	<b>10</b>
Revenue Growth		28%
EBITDA margin	10,0%	9,5%
EBIT margin	8,0%	7,5%

Source: Redeye Research

We expect an EBITDA of 18 MSEK, which corresponds to a margin of 9.5%. This is about the same level as the adjusted margin during Q4 as we find the company/product mix as representative under normal conditions. During Q1 Hexatronic will deliver the announced sea cable order to A-2-Sea Solutions worth about 10 MSEK. The sea cable order is most often very profitable for Hexatronic but the order is too small, compared to the total revenues, for having any larger impact on the margins. Overall we expect a good quarter where we start to see a clear organic growth from the company.

## Full year revisions

We have revised our full year estimate for 2015/16E and 2016/17E. We have mainly adjusted our growth estimates slightly after a deeper analysis of the past years organic performance. Long-term, we do see great growth prospect for Hexatronic with the aforementioned market trend and future needs of investment in fiber infrastructure.

Forecast adjustments		
MSEK	15/16E	16/17E
<b>Revenues</b>		
Old	715	807
New	745	835
% change	4,3%	3,5%
<b>EBITDA</b>		
Old	68	80
New	71	83
% change	4%	4%
<b>EBIT</b>		
Old	56	67
New	57	69
% change	1%	2%
<b>EBITDA-margin</b>		
Old	9,5%	9,9%
New	9,5%	10,0%

Source Redeye Research

## Valuation

*Our fair value is unchanged at 18 MSEK per share in our Base-case*

We reiterate our fair value estimate, in a Base-case, at 18 SEK per share. In our valuation, we are using a dilution effect from the outstanding stock options. We estimate a CAGR of sales in the region of 10% between the years 2014/15-24 and an average EBITDA-margin of 9.8%. Our valuation implies and EV/EBITDA exit multiple of 8x and an ROIC in perpetuity close to our estimated WACC, which we find as a conservative assumption to make.

<b>Base-case</b>			
<b>Assumptions:</b>	<b>2014/15-24</b>	<b>DCF-Value</b>	
CAGR Sales	10.1%	WACC	10.3%
EBITDA-margin	9.8%	Present value of FCF	203
Average RONIC	6%	Present value of Terminal Value	436
Average Reinvestment rate	56%	EV	639
		Net debt	2
<b>Terminal</b>		<b>DCF-value</b>	<b>641</b>
Terminal Growth of FCF	8.0%	<b>Value per share</b>	<b>18</b>
Reinvestment rate in perpetuity	65%	Today's share price	14
RONIC in perpetuity	11%	<b>Margin of safety</b>	<b>36%</b>
Implied EV/EBITDA Exit multipel	8x		

Source: Redeye Research

Our Base-case fair value implies an EV/EBIT 2015/16E multiple of about 12x. Compared to international peers 12x is still quite conservative. The peer group consisting of fiber optical equipment companies trade at a median of EV/EBIT<sub>15E</sub> of 19.4X. Hexatronic should have a small-cap discount but not as large as today's valuation levels, we regard an EV/EBIT 15/16E of about 8x as low compared to the peer-group.

<b>Peer valuation, international fiber optical companies</b>						
<b>Company</b>	<b>Country</b>	<b>EV (MSEK)</b>	<b>EV/SALES 15E</b>	<b>EV/EBIT 15E</b>	<b>Sales CAGR 14-16E</b>	<b>EBIT % 15E</b>
Fiberhome Telecom Tech CO-A	China	37 533	2.3x	42.3x	11%	5%
Clearfield INC	US	1 421	2.7x	23.3x	27%	12%
O-net Communications Group	Hong Kong	1 679	1.4x	15.5x	43%	9%
Huber & Suhner AG-REG	Switzerland	6 478	1.0x	14.1x	7%	7%
<b>Average</b>		<b>11 778</b>	<b>1.9x</b>	<b>23.8x</b>	<b>22%</b>	<b>8%</b>
<b>Median</b>		<b>4 079</b>	<b>1.8x</b>	<b>19.4x</b>	<b>19%</b>	<b>8%</b>
Hexatronic Group	Sweden	441	0.6x	7.8x	15%	8%

Source: Bloomberg & Redeye Research



## The investment case of Hexatronic

As we have discussed before, Hexatronic is present in a growing industry, fiber optical communication equipment. The growth in the industry is affected by the fact that we today consume more and more data due to the usage of smartphones, streaming services like Netflix, IP-TV and clouding software/solutions. The increased data usage directly affects the need for investment in the fiber optical infrastructure in almost all the regions in the world.

*Strong structural market growth drives the case*

We find it likely that Hexatronic will be able to capitalize on the aforementioned market trends, as the company is one of the most dominant players in the Scandinavian region with a competitive product offering. As acquisition is a part of Hexatronic's growth strategy. We find it likely that Hexatronic wants to acquire companies outside of Scandinavia, primarily for their international customer base. A stronger international presence will be a key to nurse future growth when the large investments in the Scandinavian region start to mature.

The main acquisition conducted by the company was when Hexatronic acquired Ericsson's fiber optical cable factory in Hudiksvall (Sweden), which is the largest subsidiary of the group. The acquired customers were primarily other units in the Ericsson group. One of the key challenges, since the large acquisition, for the company, have been to reverse the sales force focus to customers outside the Ericsson group while also maintaining previous customers they have acquired through the acquisition. During 2014/15 Hexatronic invested in both sales and marketing and we find it likely that the company will reap the benefits from these investments in the coming years. Hexatronic offers products throughout the whole fiber infrastructure and sells these with a system based approach, compared to their competitors that mostly sell one based product solutions. We find that this system based selling is a competitive advantage and will likely enhance the growth and profitability prospects of the company. Almost all of Hexatronics products are now certified by Skanova (compared to the time of the acquisition), which is Sweden's largest wholesaler of network capacity and a subsidiary to TeliaSonera. The Skanova certification opens up a large part of the market that Hexatronic previously haven't been able to focus on; we see this as an untapped growth opportunity.

*Certification by Skanova opens up a large market*

Despite being presented in a growth industry with good prospect for future growth, having healthy margins, good return on capital and with a competent management team the valuation of Hexatronic indicates low expectations of future value creation. The primary reasons we see for the low embedded expectations is;

- **Short historical financial history** – We find it likely that most investors have a hard time to track and understand the financial history of the company. Hexatronic has completed a number of

acquisitions during a quite short time-frame making it hard for investors, with limited time on their hands, to estimate sustainable profitability levels. We see this as an opportunity for a more savvy investor that digs through the numbers. In our view, current sustainable profitability levels are satisfying but also likely increasing due to top-line growth.

- **Small/nano-cap** – Hexatronic is still a small company. This, according to us, creates an opportunity as Hexatronic might be overlooked by the investment community, creating a more likely disparity between true fundamental value and market capitalization. Hexatronic will most likely change their listing to Nasdaq Stockholm Small Cap during 2016, which could increase the interest in the company both from private and institutional investors.
- **Limited market communications** – Hexatronic has had an internal focus to manage the acquisitions and to structure the group that has led to a low degree of communications with the market. The poor communications have affected the valuation of the company negatively, in our view, in some situations when increased communication would have been desirable. We believe that management has learned from this experience and that they will enhance their communication with the market going forward.

*An opportunity for the savvy investor*

All these effects increase the likelihood of mispricing, and opportunity for the savvy investor.

### Valuation range

The share currently trades 33% of our Base-case. The share has had a strong run from the low level of around 10 SEK per share, but we find that today's share price still implies a good enough margin of safety to our estimates.

Case scenario valuation range		
Case	Fair Value	Risk/Potential
Bull-case	31	130%
Base-case	18	33%
Bear-case	10	-26%

Source: Redeye Research

**Internal catalysts for value creation**

Hexatronic has stated that they see some cost synergies between them and TD Fiberoptik. If these synergies can be capitalized on this will most likely lead to an improved gross margin going onward, which will increase the cash flows and thus also the value of the company.

Hexatronic's system based offering could lead to a higher market share as the company competes with a better service than their competitors. This could lead to a high revenue growth and thus a higher valuation.

*The system based offering could lead to higher market share*

The growth of infrastructure investment in fiber will be substantially over the coming years. Due to the large need of higher internet capacity with the reason of changing consumer behavior. The overall market growth will likely increase the revenue levels of Hexatronic and also the growth rates.

**External catalysts**

The company aims to list their shares at the Nasdaq Stockholm Small cap. This will increase the possibility for institutional investors to buy the shares of the company. If a more institutional investor is likely to buy the shares of the company a higher valuation might be generated.

*Listing on Nasdaq Stockholm could lead to higher valuation levels*

Hexatronic, in its present shape, is a relatively new company. We find it likely that a future continued performance of the company will increase the investor awareness and thus increasing the valuation of the company.

### Sensitivity analysis

In this sensitivity analysis, we have varied the variations during the forecast period. The analysis is based on percentage point changes in the EBITDA margin and growth rates.

		Implied Share Price				
		EBITDA Margin (pp change)				
		-2%	-1%	0%	+1%	+2%
WACC	9.3%	13	18	23	29	34
	9.8%	11	16	21	25	30
	10.3%	10	14	18	23	27
	10.8%	9	13	17	20	24
	11.3%	8	12	15	18	22

Source: Redeye Research

The valuation of Hexatronic is sensitive to changes in the EBITDA-margins; still an average level around 8% over the coming 10 years supports a share price in the region of today's levels about 13 SEK per share. But we find it crucial that the margin levels can be sustained around the company's goal of 10-11%.

We have also adjusted the assumed growth rates and WACC to see their effect on our fair value estimate.

		Implied Share Price				
		Growth rate (pp change Y/Y)				
		-8%	-4%	0%	+4%	+8%
WACC	9.3%	20	22	23	25	27
	9.8%	18	19	21	22	24
	10.3%	16	17	18	20	21
	10.8%	14	15	16	18	19
	11.3%	13	14	15	16	17

Source: Redeye Research

Our model suggests that the company could have quite a large drop in the year on year growth rates and still support a valuation around today's share price levels. Today we estimate a growth around 10% during the period. Given the high growth fiber infrastructure industry, this might be somewhat conservative. If the company reaches the goal of 20% growth rate per year, this will imply a large revaluation of the share price.

*A high growth could lead to improvement of the valuation*

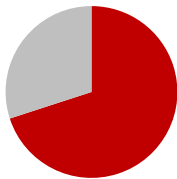
## Summary Redeye Rating

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The rating consists of five valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 2 points. The maximum score for a valuation key is 10 points.

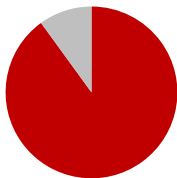
### Rating changes in the report

Management 7.0p



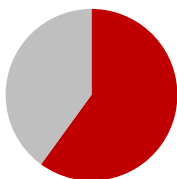
Hexatronic has a strong management team of entrepreneurial people with plenty of skin in the game. CEO and chairman have significant experience from the telecom industry. Staff at other key positions, that joined the group through last year's acquisitions, are also intact. The company has delivered so far on their financial goals but we would like to see further transparency on subsidiary/segment level as Hexatronics corporate structure becomes more and more complex.

Ownership 9.0p



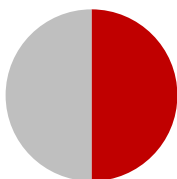
Top scores in almost all subcategories for our Ownership rating. The entire board and top management have large stakes in the company. Over 50 percent of the shares are held by active owners. The only thing missing in order to get a full score is a large institutional owner as one of the largest shareholders.

Profit outlook 6.0p



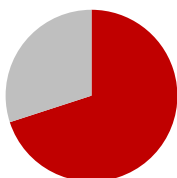
The rating for Growth Outlook is only average, in spite of good overall market prospects. The reason is mainly the competitive situation. Product differentiation appears to be difficult, thus price will always be an issue. Hexatronic is a small player compared to some of the dominant multinational companies. Surely that means growth opportunities but also challenges.

Profitability 5.0p



Our rating for profitability is not forward looking and historically, last 3-5 years, profitability has been mediocre. Last year the profitability in terms of margins and Return on Equity was very good (ROE of 66%). This increases our profitability rating for the company compared to before.

Financial strength 7.0p



In our view Hexatronic is very financial stable and scores high in most subcategories for Financial Strength. The TTM revenue is above 600 MSEK which increases our rating. Still Ericsson stands for a large part of the revenue and we see some risks for new rights issues given the strong focus on acquisitions, still if the acquisition is done at good prices and creates value this will not be an issue.

Income statement	13/14	14/15	15/16E	16/17E	17/18E
Net sales	497	630	745	835	935
Total operating costs	-437	-567	-674	-751	-842
<b>EBITDA</b>	<b>60</b>	<b>64</b>	<b>71</b>	<b>83</b>	<b>94</b>
Depreciation	-5	-14	-14	-13	-12
Amortization	0	0	0	-2	-2
Impairment charges	0	0	0	0	0
<b>EBIT</b>	<b>55</b>	<b>50</b>	<b>57</b>	<b>69</b>	<b>80</b>
Share in profits	0	0	0	0	0
Net financial items	-1	-1	-4	-3	0
Exchange rate dif.	0	0	0	0	0
<b>Pre-tax profit</b>	<b>54</b>	<b>49</b>	<b>53</b>	<b>66</b>	<b>80</b>
Tax	-13	-11	-12	-14	-18
<b>Net earnings</b>	<b>41</b>	<b>37</b>	<b>41</b>	<b>51</b>	<b>62</b>

Balance	13/14	14/15	15/16E	16/17E	17/18E
<b>Assets</b>					
<i>Current assets</i>					
Cash in banks	28	46	39	59	86
Receivables	141	137	179	200	224
Inventories	78	164	179	200	224
Other current assets	7	8	15	17	19
<b>Current assets</b>	<b>255</b>	<b>356</b>	<b>412</b>	<b>476</b>	<b>554</b>
<i>Fixed assets</i>					
Tangible assets	5	43	44	48	52
Associated comp.	0	0	0	0	0
Investments	0	0	0	0	0
Goodwill	0	0	0	0	0
Cap. exp. for dev.	8	82	82	81	79
O intangible rights	0	0	0	0	0
O non-current assets	0	0	0	0	0
<b>Total fixed assets</b>	<b>13</b>	<b>126</b>	<b>127</b>	<b>128</b>	<b>132</b>
Deferred tax assets	0	0	0	0	0
<b>Total (assets)</b>	<b>268</b>	<b>482</b>	<b>538</b>	<b>605</b>	<b>685</b>

Liabilities	13/14	14/15	15/16E	16/17E	17/18E
<i>Current liabilities</i>					
Short-term debt	0	0	0	0	0
Accounts payable	54	73	104	117	131
O current liabilities	54	99	89	100	112
<b>Current liabilities</b>	<b>108</b>	<b>172</b>	<b>194</b>	<b>217</b>	<b>243</b>
Long-term debt	0	27	20	12	4
O long-term liabilities	32	0	0	0	0
Convertibles	0	0	0	0	0
<b>Total Liabilities</b>	<b>140</b>	<b>199</b>	<b>214</b>	<b>229</b>	<b>247</b>
Deferred tax liab	0	27	27	27	27
Provisions	19	7	7	7	7
Shareholders' equity	109	249	290	342	404
Minority interest (BS)	0	0	0	0	0
<b>Minority &amp; equity</b>	<b>109</b>	<b>249</b>	<b>290</b>	<b>342</b>	<b>404</b>
<b>Total liab &amp; SE</b>	<b>268</b>	<b>482</b>	<b>538</b>	<b>605</b>	<b>685</b>

Free cash flow	13/14	14/15	15/16E	16/17E	17/18E
Net sales	497	630	745	835	935
Total operating costs	-437	-567	-674	-751	-842
Depreciations total	-5	-14	-14	-15	-13
<b>EBIT</b>	<b>55</b>	<b>50</b>	<b>57</b>	<b>69</b>	<b>80</b>
Taxes on EBIT	-13	-11	-12	-15	-18
<b>NOPLAT</b>	<b>42</b>	<b>39</b>	<b>44</b>	<b>54</b>	<b>62</b>
Depreciation	5	14	14	15	13
<b>Gross cash flow</b>	<b>47</b>	<b>52</b>	<b>59</b>	<b>68</b>	<b>76</b>
Change in WC	-101	-19	-41	-21	-24
Gross CAPEX	-14	-126	-15	-17	-17
<b>Free cash flow</b>	<b>-67</b>	<b>-93</b>	<b>3</b>	<b>30</b>	<b>35</b>

Capital structure	13/14	14/15	15/16E	16/17E	17/18E
Equity ratio	41%	52%	54%	56%	59%
Debt/equity ratio	0%	11%	7%	4%	1%
Net debt	-28	-19	-19	-47	-82
Capital employed	81	230	271	295	322
Capital turnover rate	1.9	1.3	1.4	1.4	1.4

Growth	13/14	14/15	15/16E	16/17E	17/18E
Sales growth	601%	27%	18%	12%	12%
EPS growth (adj)	880%	-37%	8%	24%	22%

DCF valuation		Cash flow, MSEK	
WACC (%)	10.3 %	NPV FCF (2015-2017)	24
		NPV FCF (2018-2024)	179
		NPV FCF (2025-)	436
		Non-operating assets	46
		Interest-bearing debt	-27
		Fair value estimate MSEK	658

Assumptions 2015-2021 (%)		Fair value e. per share, SEK	
Average sales growth	8.2 %	Share price, SEK	13.4
EBIT margin	8.7 %		

Profitability	13/14	14/15	15/16E	16/17E	17/18E
ROE	67%	21%	15%	16%	17%
ROCE	83%	26%	19%	21%	21%
ROIC	181%	48%	19%	20%	21%
EBITDA margin	12%	10%	10%	10%	10%
EBIT margin	11%	8%	8%	8%	9%
Net margin	8%	6%	6%	6%	7%

Data per share	13/14	14/15	15/16E	16/17E	17/18E
EPS	1.70	1.08	1.16	1.45	1.76
EPS adj	1.70	1.08	1.16	1.45	1.76
Dividend	0.00	0.00	0.00	0.00	0.00
Net debt	-1.16	-0.55	-0.53	-1.32	-2.31
Total shares	24.34	34.80	35.48	35.48	35.48

Valuation	13/14	14/15	15/16E	16/17E	17/18E
EV	434.2	336.7	417.0	389.0	354.0
P/E	11.2	10.1	11.5	9.2	7.6
P/E diluted	11.2	10.1	11.5	9.2	7.6
P/Sales	0.9	0.6	0.6	0.6	0.5
EV/Sales	0.9	0.5	0.6	0.5	0.4
EV/EBITDA	7.2	5.3	5.9	4.7	3.8
EV/EBIT	7.9	6.7	7.4	5.7	4.4
P/BV	4.2	1.4	1.5	1.3	1.1

Share performance		Growth/year	13/15e
1 month	13.1 %	Net sales	22.4 %
3 month	23.6 %	Operating profit adj	1.5 %
12 month	-28.6 %	EPS, just	-17.4 %
Since start of the year	-34.6 %	Equity	63.1 %

Shareholder structure %	Capital	Votes
Gert Nordin	18.4 %	18.4 %
Göran Nordlund	12.0 %	12.0 %
Jonas Nordlund	10.6 %	10.6 %
Erro Holding AB	8.1 %	8.1 %
Chirp AB	5.5 %	5.5 %
Vision Invest	3.3 %	3.3 %

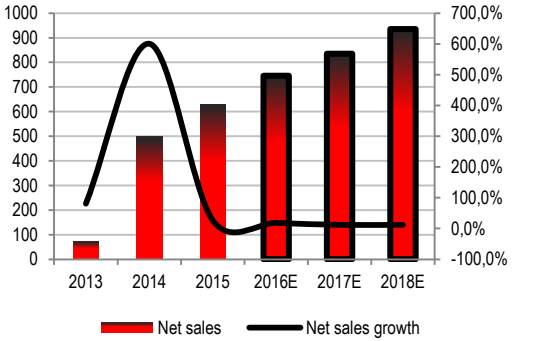
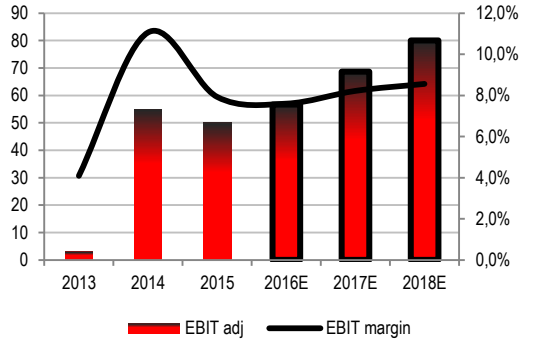
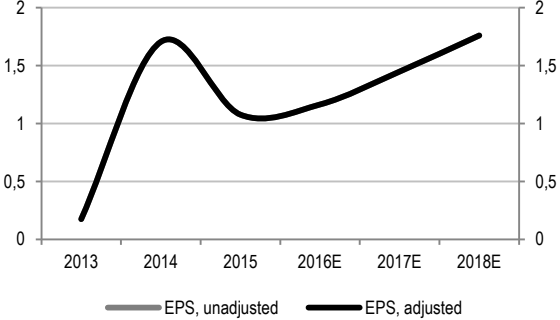
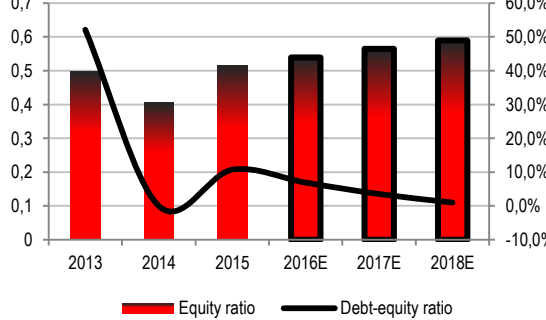
Share information	
Reuters code	
List	
Share price	13.4
Total shares, million	32.7
Market Cap, MSEK	436.0

Management & board	
CEO	Henrik Larsson-Lyon
CFO	
IR	
Chairman	Göran Nordlund

Financial information	

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Henrik Alveskog  
henrik.alveskog@redeye.se

Revenue & Growth (%)	EBIT (adjusted) & Margin (%)																																										
 <p>Net sales (bars) and Net sales growth (line) from 2013 to 2018E. Net sales are shown in million SEK on the left axis (0-1000), and Net sales growth is shown in percentage on the right axis (-100.0% to 700.0%).</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Net sales (M SEK)</th> <th>Net sales growth (%)</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>~80</td> <td>~100%</td> </tr> <tr> <td>2014</td> <td>~500</td> <td>~600%</td> </tr> <tr> <td>2015</td> <td>~650</td> <td>~100%</td> </tr> <tr> <td>2016E</td> <td>~750</td> <td>~100%</td> </tr> <tr> <td>2017E</td> <td>~850</td> <td>~100%</td> </tr> <tr> <td>2018E</td> <td>~950</td> <td>~100%</td> </tr> </tbody> </table>	Year	Net sales (M SEK)	Net sales growth (%)	2013	~80	~100%	2014	~500	~600%	2015	~650	~100%	2016E	~750	~100%	2017E	~850	~100%	2018E	~950	~100%	 <p>EBIT adj (bars) and EBIT margin (line) from 2013 to 2018E. EBIT adj is shown in million SEK on the left axis (0-90), and EBIT margin is shown in percentage on the right axis (0.0% to 12.0%).</p> <table border="1"> <thead> <tr> <th>Year</th> <th>EBIT adj (M SEK)</th> <th>EBIT margin (%)</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>~5</td> <td>~4.0%</td> </tr> <tr> <td>2014</td> <td>~55</td> <td>~11.0%</td> </tr> <tr> <td>2015</td> <td>~50</td> <td>~7.0%</td> </tr> <tr> <td>2016E</td> <td>~55</td> <td>~8.0%</td> </tr> <tr> <td>2017E</td> <td>~70</td> <td>~9.0%</td> </tr> <tr> <td>2018E</td> <td>~80</td> <td>~10.0%</td> </tr> </tbody> </table>	Year	EBIT adj (M SEK)	EBIT margin (%)	2013	~5	~4.0%	2014	~55	~11.0%	2015	~50	~7.0%	2016E	~55	~8.0%	2017E	~70	~9.0%	2018E	~80	~10.0%
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Conflict of interests	Company description																																										
<p><b>Kristoffer. Lindström. owns shares in the company Hexatronic: Ye</b></p> <p>Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.</p>	<p>The Hexatronic group of companies are active in the optical fiber infrastructure market. They offer a complete line of products for passive and complementary active products for optical networks. Home market is Skandinavia and main costumers are large telecom operators such as Telia and Telenor. Partners like ABB and Ericsson give Hexatronic access to the world market.</p>																																										

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**Redeye Rating (2015-10-29)**

Rating	Management	Ownership	Profit outlook	Profitability	Financial Strength
7,5p - 10,0p	33	40	17	7	18
3,5p - 7,0p	61	48	78	33	36
0,0p - 3,0p	5	11	4	59	45
Company N	99	99	99	99	99

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